COMMUNITYWISE
BELLINGHAM
informing the conversation

In previous scoping comments submitted[i] on October 22, 2012 by Buri Funston and Mumford on behalf of Communitywise Bellingham (CWB), Communitywise requested that the environmental impact statement:

> (1) examine the reasonable range of alternatives for increasing rail capacity through Whatcom County, Washington; (2) analyze the effects of building, maintaining and operating a rail siding through Bellingham; (3) identify the significant adverse impacts from this active rail siding on Bellingham's waterfront businesses, adjacent neighborhoods, community health, shore lands, marine resources, recreation areas, traffic, and emergency response times; (4) identify any measures that might minimize or mitigate the effects of constructing the siding and doubling rail capacity between Bow and Ferndale; and (5) estimate the costs of mitigation and identify who should bear these expenses.

Communitywise Bellingham has been identified by the EIS Agencies as a Key Stakeholder. We have been active in developing research and suggesting process for the last two years. Our focus is local, Whatcom County and Bellingham. This is one in a series of comments on specific aspects of issues.

These supplemental scoping comments are intended to support the requests referenced above and in other CWB submissions. The following information is foundational to understanding why the impacts from all train infrastructures needed to support GPT operations are significant, probable and reasonably foreseeable and should be scoped as part of the GPT's environmental impact statement. Heavy coal train traffic and its impacts in Whatcom County are not inevitable; they would be a direct result of GPT's construction.

Therefore Communitywise suggests that:

1. The impacts of coal train traffic along the rail corridor should be included as part of the GPT's Environmental Impact Study.
2. The active siding along Bellingham's waterfront should be included in the project permit itself, as it is required to service GPT daily operations.
3. The significant costs of GPT train-related mitigation should not be left to the local taxpayers by default, but rather covered by the project sponsors as part of the true cost of doing business.

Infrastructure to Increase Rail Capacity on the Bellingham Subdivision Line Will be a Direct Result of GPT Rail Traffic

Communitywise asserts that the development of the GPT project will bring about an immediate and real need for additional for supporting project infrastructure, such as the South Bellingham Rail Siding[ii]. As proposed, the Gateway Terminal will overwhelm the current capacity for rail traffic between Bow and the Custer Spur, even during Phase 1 operations at the terminal. GPT plans 18 daily trains (half incoming, half outgoing) to ship 54 million metric tons at full build out. That converts into 59.5 US tons, the measure used in government reports. In 2010, the combined grand total tonnage of *all* railroad freight to both the states of Washington and Oregon, including local consumption and export, was 80 million tons. The proportion to the State of Washington was 57 million tons. That means *GPT by itself will more than double total rail freight tonnage in the state of Washington*.

Under WCC 20.88.130(5), the essential rail facilities do not currently exist for the proposed Gateway project. It is undisputed that the developer must *at least* double the capacity of the current rail line to make the terminal operational. Thus while project developers may assert that such infrastructure may be required in the indeterminate future for yet to be established needs, the GPT project itself brings the need for such vital structures to the very real and immediate present.

To date, the project applicant and BNSF have not documented their plans to alleviate the well documented Bow to Ferndale rail chokepoint[iii] that will inhibit daily terminal operations. Rather, they continue to assert that such disclosure is unnecessary as future events, unrelated to GPT, may manifest that would require similar capacity solutions. Most frequently, terminal proponents suggest that if not developed, Whatcom County will suffer the ill effects of high volume coal train traffic as Powder River Basin (PRB) coal is routed to B.C. terminals for export.

The claim that Whatcom County will be exposed to the same high volumes of coal train traffic regardless of GPT development demands a thorough analysis and full understanding. The argument follows that without GPT, local residents still incur the potential negative aspects of increased train traffic without deriving any potential benefits. If the claim were true, then those building and financially benefiting from GPT can make the case that they are not responsible for increases in train traffic within Whatcom County or along the rail corridor north of Chehalis. Their logic then eliminates a rationale for including train impacts on Bellingham (or anywhere off-site) in the Environmental Impact Study.

Communitywise submits that the significant, unavoidable and immediately foreseeable train impacts imposed on Bellingham and Whatcom County from the proposed project are

real and directly attributable to the development of the Terminal. It follows that all train impacts should be scoped as part of the GPT's EIS process. Furthermore, Communitywise asserts that Whatcom County will *not* be subjected to high volume coal train traffic as a detailed analysis[iv] of the current and future capacity of BC export facilities reveals that little capacity exists for US coal exports.

If the GPT Terminal is Not Developed, Whatcom County Will Not Experience High Volumes of Coal Train Traffic.

If one accepts that the trains "are coming anyway," then the impacts of 18 additional GPT trains identified in the revised PID are not attributable to GPT. Bellingham would organically experience the equivalent of GPT train impact "anyway." The public policy implication is clear: it removes train impacts on Bellingham, Whatcom County and other affected local municipalities as a responsibility of the project developers. Under the claim, these train impacts are an inevitable course of events, with or without GPT, and should be excluded from analysis during the EIS process.

In-depth research and analysis of coal contracts in B.C.[v] indicate that only a minor fraction of the proposed PRB coal exports for the Pacific Northwest could go through B.C. ports, even after completion of planned terminal expansions in the region. A close look at the committed long-term contracts and expected future contracts for export capacity at the existing B.C. terminals shows that nearly all of the capacity has been secured by Canadian coal interests. Capacity for U.S. coal exports will be severely limited as our research reveals that Ridley and Neptune terminals are not viable options for U.S. exports. This leaves only the unsecured capacity at Westshore for new PRB or other U.S. coal exports.

Beginning in 2015, there will be a maximum of 4 to 6 Mtpa of "excess" capacity for coal exports, all through Westshore Terminal (see Table 1). This amount, in addition to U.S. coal exporter Cloud Peak's 4 Mtpa existing secured contract through Westshore, could bring the maximum level U.S. coal exports going on rail through Washington to B.C. ports up to 8 to 10 Mtpa (see Graph 1). This is a fifth of the proposed GPT coal export volume and just 10 percent of the total proposed Pacific Northwest export capacity for PRB coal considering all five current coal terminal proposals.

If the maximum 8 to 10 Mtpa of capacity at Westshore were allocated for PRB coal exports (existing secured Cloud Peak contract *plus all* unsecured "excess" capacity), between 490 and 730 additional trains would travel though Whatcom County each year. This equates to a total of approximately 3 to 4 coal trains per day through Whatcom County en-route to B.C, a level on par with the record traffic volumes experienced in Whatcom County in 2011. It is

equally possible that *none* of the available export capacity at British Columbia's terminals will be contracted to U.S. mining interests. Canadian coal companies have had the edge in securing planned expansions in Canadian export capacity, and that trend that may continue.

It should be noted that new, presently unconstructed, export capacity could be developed in British Columbia. Port Metro Vancouver is currently reviewing a project permit application submitted by Fraser Surrey Docks (FSD) for the development of a Direct Transfer Coal Facility. If approved, up to 8 additional Mtpa of PRB coal could potentially be exported. The FSD proposal, if approved and permitted, could mean an incremental 3 coal trains per day bring the maximum foreseeable volumes of coal train traffic to approximately 6-7 trains per day; levels still far below those expected from GPT operations.

If GPT is not built, moderate to no additional coal train traffic will come through Whatcom County to Canada. Post expansion, existing B.C. coal terminals will not have significant additional capacity for U.S. exports as nearly all of the present and future export capacity has been secured through long-term contracts to Canadian mining interests. This conclusion is corroborated by a recent coal industry analysis (Arch Coal SEC filing, February 2012).

It is important to note that when an accurate accounting of limited B.C. capacity for additional U.S. coal exports is considered, the policy implications change. Heavy coal train traffic and its impacts in Whatcom County are not inevitable; they would be a direct result of GPT's construction. This direct impact suggests that:

- The impacts of coal train traffic along the rail corridor should be included as part of the GPT's Environmental Impact Study.
- The active siding along Bellingham's waterfront should be included in the project permit itself, as it is required to service GPT.
- The significant costs of GPT train-related mitigation should not be left to the local taxpayers by default, but rather covered by the project sponsors as part of the true cost of doing business.

Table 1

Long-Term Agreements between Westshore Terminals & Coal Companies:

Company	Agreement Announced	Period	Coal Export Allocation	Additional Export Option	Coal Origin
Teck Resources Limited	March 2011	2012-2016	17 Mtpa	2 Mtpa[vi]	Canada
Total Allocation			17 Mt		
Grand Cache Coal	March 2011	2012-2022	Undisclosed Historical & Future Exports 2011 – 1.2 MT[vii] 2012 – 2.0 Mt[viii] 2013 - 3.5 Mt[ix]		Canada
Average Allocation*			2.25 Mt		
Coal Valley Resources (Sherritt International)	Oct. 2011	2002-2017	Undisclosed Historical & Future Exports 2011 - 2.7Mt[x] 2012 – 4.3Mt[xi]		Canada
Average Allocation*			3.5 Mt		
Cloud Peak Energy	June 2011	2013 – 2024	Undisclosed Historical & Future Exports 2011 – 4.0 Mt[xii] 2012 – 4.3Mt[xiii]		U.S.- PRB
Average Allocation*			4.15 Mt		
Signal Peak Energy[xiv]	Oct. 2011[xv]	Undisclosed	Undisclosed		U.S.- Bull Mountain
TOTAL CONTRACTED CAPACITY			**~27 Mtpa****	**~29 Mtpa*****	
TOTAL AVAILABLE CAPCITY (Operating Capacity –Contracted Capacity)			**6 Mtpa**	**4 Mtpa**	

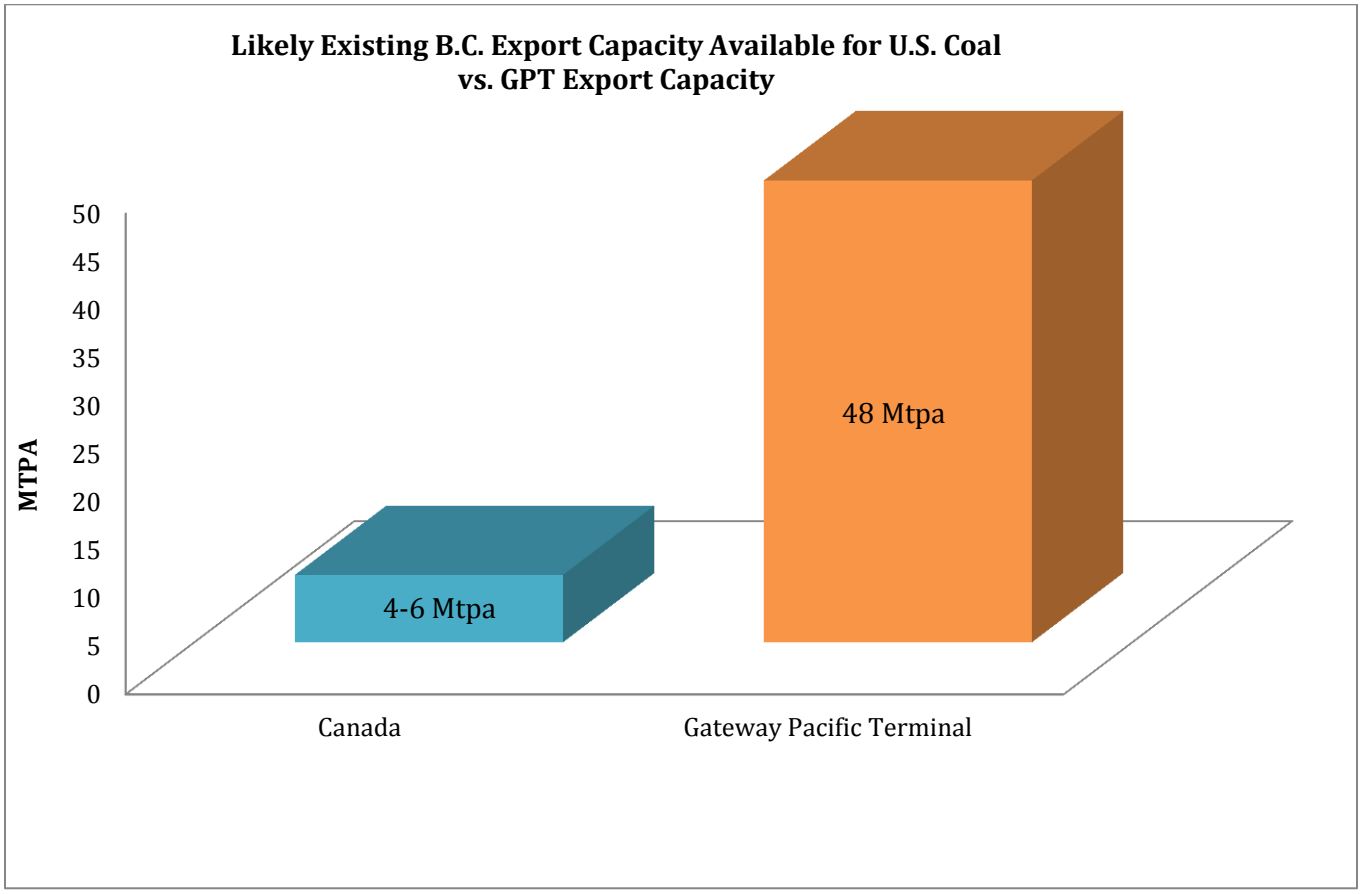
*The averages calculated in the table above were determined by averaging actual 2011 exports with reported future exports

**The 27 Mtpa figure derives from the following breakdown of capacity allocation:
17 Teck + 2.25 Grand Cache + 3.5 Coal Valley + 4.15 Cloud Peak

*** The 29 Mtpa figure derives from the following breakdown of capacity allocation:
19 Teck + 2.25 Grand Cache + 3.5 Coal Valley + 4.15 Cloud Peak

Note: By 2013, 33 Mtpa will be the expected terminal operating capacity.
Because of the lack of available data, Signal Peak's contract is not included in the total.

Graph 1



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[i] http://www.communitywisebellingham.org/wp-content/uploads/2012/10/Siding.pdf

[ii] Communitywise Bellingham – Communitywise Bellingham Briefing Presented to the Bellingham City Council, *Gateway Pacific Terminal Train Impacts on the Bellingham Waterfront* http://www.communitywisebellingham.org/wp-content/uploads/2012/05/CWB-RR-Impact-Briefing-to-Bham-CC-Final-V2.pdf

[iii] Washington State Transportation Commission - Statewide Rail Capacity and System Needs Study, *Task 3 – Rail Capacity Needs and Constraints* http://www.wstc.wa.gov/rail/TM3_RailCapcityNeedsandCnsts.pdf

[iv] http://www.communitywisebellingham.org/cwb-studies-report3/

[v] Communitywise Bellingham - COAL TRAIN TRAFFIC TO CANADA AND GATEWAY PACIFIC TERMINAL: An Analysis of the "Coal Trains Are Coming Anyway" Claim and its Implications for Local Taxpayers http://www.communitywisebellingham.org/wp-content/uploads/2012/06/CWB-Report-Coal-Train-Traffic-to-Canada-and-Gateway-Pacific-Terminal1.pdf

[vi] Teck, "Teck's Coal Export - Ports" September 2011 http://www.teck.com/DocumentViewer.aspx?elementId=197877&portalName=tc

[vii] Westshore Terminals Investment Corporation, "Annual Report 2011"

http://www.westshore.com/pdf/finance/2011/ar.pdf

[viii] Grand Cache Corp., "Grande Cache Coal Corporation Management's Discussion & Analysis"
http://www.gccoal.com/upload/media_element/57/01/gcc-financials---q1-2012-final.pdf

[ix] Grand Cache Corp., "Grand Cache Corp. Presentation August 2011" – See slides 5 & 8.
http://www.gccoal.com/upload/media_element/49/01/corporate-presentation---august-2011.pdf

[x] Westshore Terminals Investment Corporation, "Annual Report 2011"
http://www.westshore.com/pdf/finance/2011/ar.pdf

[xi] Sherritt International Corporation, "Sherritt International Corporation 2010 Annual Report"
http://www.sherritt.com/getattachment/42a8410c-fc1f-406c-a78a-063d6a83bb7c/2010-Annual-Report

[xii] Cloud Peak Energy, "2011 Annual Corporate Report"
http://www.cloudpeakenergy.com/investor-relations/annual-reports

[xiii] Cloud Peak Energy Press Release, April 30, 2012 Q1 2012 Results
http://www.cloudpeakenergy.com/investor-relations/press-releases

[xiv] Westshore Terminals Inc., "Investor Visits" October 2011
http://www.westshore.com/pdf/presentations/2011investors.pdf

[xv] http://www.businessweek.com/ap/financialnews/D9QEVCBO4.htm